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ON STABILIZING THE DOLLAR

SUMMARY

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MOST of us have learned from experience that a dollar will not buy so much as it used to buy, but many of us remember a time when our experience was just the reverse of this; for it is scarcely twenty-five years since a period of falling prices came to an end. Then debtors whose contracts ran for a number of years were at the disadvantage of having to pay back dollars of larger purchasing power than was possessed by the dollars they had received. Now creditors, under like circumstances, have reason to complain that the dollars repaid to them have a smaller purchasing power than had the dollars which they lent; and people whose earnings have remained stationary, or failed to increase as fast as the prices of commodities, have found it increasingly difficult to pay their bills.

Dr. Irving Fisher in a pamphlet issued as a precursor of his forthcoming book on *Stabilizing the Dollar in Purchasing Power*, has expounded his plan for putting an end to such unpleasant experiences by keeping the variations in the purchasing power of the dollar within very narrow limits. That he somewhat underestimates the direct effect of the world war in raising the cost of living and, as I think, correspondingly overestimates

its indirect effects through its expansions of currency and credit, is a secondary matter. So also is his inclination to throw upon our unstable dollar more than its just share of blame for the existence of social discontent. What I am here concerned with is the plan itself and, as it seems to me, a fundamental error which underlies it.

Dr. Fisher recognizes the fact that, to a greater or less extent, he has been anticipated by others. The various writers who have discussed a "tabular" or "multiple" standard of value seem to have assumed that, if so constituted as to be accurately representative of goods in general, it would afford a just standard for deferred payments; and this is the assumption which underlies Dr. Fisher's plan of stabilizing the dollar. From this point of view, he has a considerable advantage over earlier writers on the subject in the fullness of the price records now available and the elaborate systems of index numbers based thereon. Yet one may be permitted to doubt whether it is possible to construct, even with all these helps, a standard which shall measure the price movements of goods in general with a very high degree of accuracy, tho Dr. Fisher compares the results at which he aims with those attainable through the yardstick in measuring length.

"What is needed," he says, "is to standardize the dollar, just as we have already standardized the yardstick, the pound weight, the bushel basket, the pint cup, the horse power, the volt, and, indeed, all the units of commerce except the dollar."

And his plan for accomplishing this object is to take, at a suitable time, a dollar's worth of carefully selected goods, which shall thereafter serve as a measure of value for goods in general, including gold.

"A true standard of value," he says, "should not be dependent on one commodity merely, whether that

commodity be gold or silver, or wheat or what not. Two commodities would be better than one"; and "a composite of gold, silver, copper, platinum, and all the other metals would be somewhat more stable than an amalgam of two, just as a number of tipsy men can walk more steadily arm in arm than two only, it being wholly unlikely that all the men in the line would lurch in the same direction at the same instant."

Metals, however, are not the commodities to which Dr. Fisher would assign a leading place in constructing his standard. He says:

In order to secure a dollar constant in its purchasing power over goods in general, it should, in effect, be a composite of those very goods in general. For instance, we might imagine a composite commodity dollar consisting of 2 board feet of lumber (made up of various kinds); $1/20$ of a bushel of wheat; $3/4$ of a pound of steers; $1/2$ of a pound of meat; 30 pounds of coal; $1/100$ of a barrel of white flour; 1 pound of sugar; $1/2$ of a pound of hogs; $1/3$ of a pound of cotton; $1/3$ of a gallon of petroleum; 1 egg; 1 pint of milk; 1 ounce of butter; $1/30$ of a bushel of corn; $1/25$ of a bushel of potatoes; $1/100$ of a pair of shoes; $1\ 1/2$ pounds of hay; 1 ounce of hides; 1 ounce of tobacco at the farm; $1/2$ of an ounce of manufactured tobacco; $1\ 1/2$ ounces of lard; $1/2$ of an ounce of leather; $1/7$ of an ounce of wool; $3/4$ of a pound of steel; 1 ounce of copper; $1/10$ of an ounce of rubber; $1/300$ of a gallon of alcohol; 2 ounces of soap.

These happen to be the relative quantities of some of the three hundred commodities used by the United States Bureau of Labor Statistics in making up its index number of prices. The entire list, of which the articles specified are the more important, was actually worth one dollar in 1909.

If at that time we had established such a dollar as our unit — that is, a composite dollar consisting of a big basket containing those three hundred bits of goods — that composite basketful of commodities — or "goods-dollar," let us call it — would evidently have to be worth a dollar at all times; and the cost of living — at least the cost of the representative assortment in that basket — could not rise or fall. That assortment would always cost a dollar simply because a dollar is that assortment.

Accepting the "goods-dollar," or "composite basket of goods," as a thing of stable value, Dr. Fisher would

stabilize the gold dollar by preventing its value from diverging materially from that of his proposed goods standard, and this he would do by making it heavier, if its value, as compared with that of the "goods-dollar," is found deficient or lighter if its value, when tried by the same test, is found too great.

To avoid the confusion and inconvenience of having gold dollars or gold eagles of different size and weight circulating side by side or jingling together in the same pocket, Dr. Fisher proposes that the money in actual circulation shall be of paper only. He proposes that gold certificates be used instead of gold coins, as, indeed, they already are in most cases. He says:

If gold thus circulated only in the form of paper representatives, it would evidently be possible to vary at will the weight of the gold dollar without any such annoyance or complication as would arise from the existence of coins. The government would simply vary the quantity of gold bullion which it would exchange for a paper dollar — the quantity it would give or take at a given time. As readily as a grocer can vary the amount of sugar he will give for a dollar, the government could vary the amount of gold it would give or take for a dollar.

Passing over certain details, I quote again from Dr. Fisher's pamphlet:

A definite and simple criterion for the required adjustments ¹ is at hand — the now familiar "index number" of prices. The Bureau of Labor Statistics, which now publishes an index number, the Bureau of Standards, or other suitable government office, would be required to publish this number at certain stated intervals, say monthly. That is, each month the Bureau would calculate from current market prices how much would have to be paid for our composite basket of goods. This figure it would publish and proclaim; and this figure would then afford the needed official sanction to the Secretary of the Treasury to change the amount of gold which the mint would give or take for a gold certificate, and thus increase or diminish the purchasing power of that certificate. The certificate would always be equal to the gold dollar; and the gold dollar would be kept equal to the goods-dollar, which is the ultimate standard.

¹ The periodical changes in the weight of the gold bullion dollar.

After illustrating in some detail the small monthly changes in the weight of the dollar that would, as he anticipates, follow the adoption of the goods standard during a period of rising prices, Dr. Fisher says:

And, so, as long as the index number persists in staying even a little above par, the dollar will continue to be loaded each month until, if necessary, it weighs an ounce, or a ton for that matter.

It will be seen from Dr. Fisher's frank recognition of the extent to which the dollar might be weighted in case of necessity that hardly any conceivable increase in the supply of gold, either from the discovery of new sources or from improved methods of extracting the metal, could cheapen it too rapidly to permit the weight of the dollar to be increased with equal speed. Dr. Fisher's plan would, in fact, open an unlimited market for the produce of the gold mines of the world, and the incentive to their rapid exhaustion which it would thus offer is enough to make the hair of a conservationist stand on end. For this, however, the plan makes some atonement, and we must accompany Dr. Fisher a little further in his account of its operation. He says:

Or, suppose the index number falls below par, say 1 per cent below. This fact will indicate that the purchasing power of one dollar has gone up. Accordingly, the gold dollar will be reduced in weight 1 per cent, and each month that the index number remains below par the now too heavy dollar will be unloaded and the purchasing power of the certificate brought down to par. Thus by ballast thrown overboard or taken on, our index number is kept from wandering far from the proper level — that is, from the price of one dollar per composite basket of goods. In short, the adjustment, like all human adjustments, takes place "by trial and error." There is always a slight deviation, but this is always in process of being corrected. . . .

All dollars, bank notes, etc., yellowbacks, and gold bullion would be absolutely equivalent to one another and would be approximately equivalent to the composite or goods-dollar. We would then be substantially rid of a fluctuating price level with its long train of

bad consequences. The monetary yardstick would at last be standardized.

It may seem a long look ahead to think of a period following the exhaustion of the world's gold mines, but a period of greatly diminished production of gold may possibly be much nearer than we imagine; and it must be placed to the credit of Dr. Fisher's plan that its provision for progressive reductions in the weight of the dollar (or other monetary unit) would, in principle, be adequate to almost any exigency that could possibly arise as a result of long continued diminishing supplies of gold. For just as the weight of a gold dollar would, if necessary, be increased to "an ounce or for that matter a ton," so its weight could be diminished to any conceivable extent. Even if gold became more precious than radium now is, the allowance of gold bullion per dollar could be made sufficiently minute to meet the requirements of the situation; for, as coins are not to be struck or circulated, no difficulty would arise through a dollar's becoming too small for convenient handling, or even so small as to be visible only through a microscope. But the same principle which permits an indefinite reduction in the weight of the gold (bullion) dollar would, of course, permit the substitution of silver or even a baser metal to an equal value, if that should on the whole be the more expedient. It would only be imperative that any such change be made with the faithful intent and actual effect of keeping the dollar at par.

But this brings us face to face with the fundamentally important question whether the par proposed by Dr. Fisher is a safe and satisfactory one, and this must now be considered.

WOULD A GOODS STANDARD BE STABLE ?

We all know that in a progressive condition of industry, such as now exists, the value of goods, as measured, for example, by the average amount of labor required for their production, is constantly and quite rapidly changing. So, too, is the value of either goods or labor, if measured by its true determinant, namely, the estimate placed upon it by human beings.

Dr. Fisher's plan of stabilizing the dollar, if perfectly realized in practice, would guarantee to a lender a quantity of goods equal to that represented by his loan when made. Let us suppose twenty-five years to elapse before the debt is paid. In the meantime there have been great improvements in machinery and industrial processes, and a great increase has taken place in the extent to which such improvements are used. There has consequently been a great increase in the average productivity of human labor. For convenience, we may suppose that it has doubled, and that the debtor in the case under consideration is able to produce or procure as large a quantity of goods as his loan represented when received with half the labor which it would then have cost him. Is it fair that he should get off so lightly ?

Let us first consider a case in which this question must be answered affirmatively. Let us suppose that the increasing productivity of labor is steadily accompanied by an ever-growing eagerness for educational opportunities, not only among the young, but throughout the community. This will necessarily carry with it a corresponding eagerness for reduced hours of labor; and we may, in fact, suppose that the entire advantage arising from the increased productivity of labor is taken

in that form¹ and in the increased leisure thus made available for educational uses. We may further suppose that, aside from certain beneficial changes in their distribution, there is no alteration in regard to goods, or, at least, no change in the average consumption per capita, people in general caring little for luxury or display and finding their satisfaction in "plain living and high thinking."

Under such conditions our supposititious creditor need only receive the quantity of goods represented by his loan when it was made. With that quantity he will be able to maintain his social status and meet all the requirements of his time and circumstances as completely as he could have done with the same quantity twenty-five years before. And, altho by our hypothesis his debtor can now produce or procure that quantity with half the labor which it would then have cost him, his performance of that half now involves as large a sacrifice as would have been involved twenty-five years ago in performing the whole. In doing that then, he would only have been doing what all his fellow citizens were then doing. In doing it now he would be depriving himself of educational opportunities which by our hypothesis all his fellow citizens are now enjoying, and during the entire time occupied in earning the means to pay his debt he would be falling behind them in the intellectual race, making himself a helot, and undergoing a positive social degradation. In short, under all the supposed conditions, the creditor in receiving goods equal to those represented by his loan when made would receive a degree of satisfaction equal to that so represented, and

¹ It will be seen further on that this supposition does not go far beyond what has been seriously proposed for Great Britain by a great employer of labor, who, with a view to getting a largely increased use out of machinery, suggests a six-hour day for men and women and, through six-hour shifts of human labor, a twelve, eighteen or twenty four-hour day for the machines.

the debtor in performing a diminished amount of labor would make as great a sacrifice as the larger amount involved at the earlier date. It may, therefore, be conceded that under such conditions the goods standard proposed by Dr. Fisher would be a just standard for deferred payments.

But suppose that the increasing productivity of labor is accompanied by just as rapid an expansion in the demand for goods, so that in one form or another the average consumption of goods increases just as fast as does the ability to produce them — a supposition that will not seem extravagant, if we remember that “use,” as of implements, vehicles, buildings, etc., “is slow consumption,” and think of the wide margin there is for expansion in the single form of roomier, prettier, and more sanitary dwellings for the poor, to say nothing of the many other lines along which expansion might advantageously take place. Let us suppose, then, that the desire for goods — including such goods as ships, flying machines, buildings, etc. — has on the whole increased just as fast as the productivity of labor; that to satisfy this desire it is necessary to work just as hard as if no industrial progress had been made, and that the general feeling of the people towards goods on the one side and labor on the other, is such that they voluntarily choose so to do. In that case justice as between the debtor and his creditor will require that settlement be made upon a labor basis. Under such conditions the creditor may justly claim that the quantity of goods represented by his loan when made no longer corresponds to the extent of the desire for goods, or to the increased need of them created by the change in social usages and standards. To get a degree of satisfaction equal to that represented by his loan when made, he must, in fact, under the changed conditions supposed,

receive twice the quantity then so represented, or else its equivalent in goods of better quality. Nor can the debtor justly complain, under the supposed circumstances, at having to perform, in order to get this increased quantity of goods, as much labor as was represented by the loan when received; for, altho by our hypothesis labor has become more effective in producing goods, it has, in this respect, merely kept pace with the increasing quantities required by a more and more exacting social standard. Moreover, in performing the amount of labor represented by the loan when made the debtor is subjected to no adverse discrimination; for by our hypothesis he and his fellow citizens generally are of their own choice working just as hard as it was customary to work twenty-five years ago. In short, under all the supposed circumstances, the creditor receives only the degree of satisfaction and the debtor makes only the amount of sacrifice originally represented by the loan. In this case, therefore, the goods standard proposed by Dr. Fisher would fall short by one-half of satisfying the requirements of justice and as a standard for deferred payments would be a signal failure.

In a stationary condition of industry a goods standard and a labor standard might coincide and both might coincide with a just standard of value.

Our suppositions in reference to a progressive condition might have been pushed further than they were; for conditions are conceivable under which a creditor might justly expect an increase in the quantity of goods returned to him more than proportional to the increase in the productivity of labor, or, on the other hand, under which a debtor might with equal justice expect to meet his obligation with an amount of labor diminished more than proportionally to the increase in its produc-

tivity. But the suppositions actually made went in each direction somewhat beyond the bounds of probability; for in practical experience ¹ "it is reasonably sure to happen that as the productivity of labor increases, a part of the advantage resulting from its increase will be taken in the form of increased consumption of goods, while another part is taken in the form of increased leisure. And when the course of human feeling with reference to goods on the one hand and labor on the other is of this character," a just standard of value would give the creditor a somewhat increased amount of goods and exact from the debtor a somewhat diminished amount of labor. "In ordinary experience it probably would not be far from the mark if our standard were of such a character as to divide the results of industrial progress about equally between the debtor and the creditor; but from the point of view of economic theory there is no assurance that this would be the case. All would depend on the course of human feeling in the premises.

"Theoretical completeness would require us to consider a condition of industrial retrogression, and such a condition might be treated in much the same manner in which we have already treated the condition of industrial progress that corresponds to our actual experience at the present day"; but it is sufficient for our present purpose to point out that, wide as are the limits within which suppositions may reasonably be made as to the course of human feeling in regard to goods and labor, only in one out of the indefinite number of cases lying between the two extremes would a goods standard be a just one, and that this single case lies,

¹ The quotations which follow are from a paper entitled "Tests of Stability in the Value of Money," which the writer of this article presented in 1894 before Section 1 of the American Association for the Advancement of Science. See Proceedings of the Association for that year.

as already remarked, somewhat beyond the bounds of probability.

The changing relation between labor and goods inherent in a progressive condition of industry is noticed in the Report of the Monetary Commission published in 1898. On page 94 we read:

“ Exactly as the world has been able to increase its efficiency in production and in obtaining satisfaction for mankind at less effort, the same labor and sacrifice has given forth a larger result.” And the bearing of this circumstance on the proposal to adopt a multiple (goods) standard is recognized in the following passage from page 107:

The theory of justice in the Multiple Standard is based on the assumption that the creditor should have only the same quantity and quality of goods at the end as at the beginning of the contract; but if, during the continuance of the contract, advances in the arts have enabled society to produce these goods at less cost, it cannot be contended that this result has been due to the individual exertions of either the creditor or the debtor.

The word “ cost,” as used in this extract, might, of course, mean cost in money, but the context shows that the fact of a diminished cost in labor had a prominent place in the writer’s mind. He does not carry his analysis so far as to indicate the conditions under which a creditor might, or might not, fairly expect more goods than his loan represented when made, but he plainly sees that the changing relation between goods and labor is a fact which demands consideration before a “ composite basket of goods ” — to use Dr. Fisher’s phrase — can safely be adopted as our fundamental unit of value.

The special claim made on behalf of the tabular, or multiple, standard is that it is a just standard of value for deferred payments; but it clearly is *not* a standard of stable value, for the “ composite basket of goods,” or “ goods dollar,” which Dr. Fisher proposes to adopt as

"the ultimate standard" is itself a thing whose value is constantly changing. It is not merely that the separate items of goods whereof it is composed are continually changing in their value relations to one another, but that the "goods dollar" taken as a whole is a thing whose value changes with changing circumstances. It is, therefore, a dollar that will fail to do the special thing for which it is chiefly recommended, namely, to afford a trustworthy standard for deferred payments. And this is true, even tho the price records may have been faultlessly kept, the relative importance of the commodities included in the "composite basket of goods" justly estimated, and all the required computations correctly performed. To do even these three things with the success necessary to make the "composite basket of goods" as accurate a measure as the yardstick is of length is more than could be seriously expected; but, in order to provide a just standard for deferred payments, it would be necessary to do much more. To do successfully the three things just named would merely be to provide the means of determining with some approach to accuracy the changes in the value of gold as compared with goods in general; and, after allowing all we can for the superior steadiness of a row of tipsy men as compared with one tipsy man — or, say, 300 kinds of goods as compared with any one kind — we cannot feel a very firm assurance that the approach would necessarily be a close one.¹ But, besides ascertaining as closely as we can these changes in the value of gold as compared with goods in general, we have also to take into account the changes in the cost of goods as measured in labor and the changes in human feeling and usage in regard to both labor and goods. Hence the

¹ As bearing upon this point an essay by J. Shield Nicholson on "The Measurement of Variations in the Value of the Monetary Standard," which is included in his work on *Money and Monetary Problems*, may be read with advantage.

problem of determining what periodical changes of weight a gold-bullion dollar would require in order to become a just standard for deferred payments is very much less simple than Dr. Fisher's plan assumes; and it is greatly to be feared that if we undertook to make such changes, our work would be sadly lacking in that accuracy which, according to Dr. Fisher's own contention, modern business imperiously demands — so badly lacking, in fact, that, instead of a dollar stabilized as to value, we should have a dollar of which neither the value nor the weight would be known to any one for more than a few weeks in advance. It is doubtful whether a dollar so lacking in definiteness could be made the basis of contracts enforceable at law.

As Jevons aptly says: "Value is the most invisible and impalpable of ghosts, and comes and goes unthought of while the visible and dense matter remains as it was."¹ Yet it is precisely this evanescent thing called value in respect to which the dollar must be stabilized, in order to make it a just standard for deferred payments; and that cannot be accomplished by stabilizing its relation to another unstable thing.

Dr. Fisher, of course, assumes that his proposed assortment, or "composite basket," of goods is not unstable in its value, or that it is, at least, so much less so than gold as to justify the fundamental change in our monetary system which would be involved in adopting that assortment as our ultimate unit of value. When the bare minimum of goods necessary to subsistence was about all that the mass of men could hope for, a "basket of goods" selected with reference to their certain and imperative needs might possibly have had a considerable stability of value;² but in our time there is a wide

¹ *Investigations in Currency and Finance*, p. 80.

² It would probably have been subject to rather serious fluctuations from year to year, tho comparatively stable on an average for long periods.

margin for choice between goods of many kinds, between tangible goods like coal or bread and intangible goods like a moving picture show or a concert, and, in general, between goods and leisure, or, say, between goods and the mental attainments for which leisure would provide opportunity.

And think of the tremendous change in the relation between goods and labor that would be involved in the execution of such a plan as Lord Leverhulme — a practical business man and large employer — has seriously proposed for Great Britain. In view of the vast financial obligations incurred in the prosecution of the war, he declares it to be necessary that the machinery available for industrial uses shall be far more fully employed than it has been in the past. "We must have," he says, "a six-hour working day for men and women, and by means of six-hour shifts" of human labor "we must work our machinery 12, 18 or 24 hours per day." Think, too, of the still greater change that would attend the adoption of a similar plan in the United States, where machinery is far more extensively used than in Great Britain. There probably has never been a time in the history of the world when a goods standard of value would have had so little definiteness or stability as it would have today — never a time when the kinds of goods to be chiefly in demand were so subject to great and unforeseeable changes.

Under present conditions a contract to give or receive a certain number of dollars is a contract to give or receive a perfectly definite *quantity* of gold or its legal equivalent; and, tho its value is confessedly subject to change, it is comparatively free from sudden and violent fluctuations. "The precious metals," says Walker, "have a high degree of steadiness in value from season to season and from year to year, far exceeding in this

respect any other considerable class of substances." The existing stock of them is so large that the supply of them is comparatively independent of the output for any one year, or even a number of years; and, imperfect as our gold dollar undoubtedly is as a measure of value through any considerable period, it will probably be far safer to retain it and strive to remedy its defects than to abandon it in favor of any assortment of goods which could now be selected as its substitute.

CAN PRESENT MONETARY UNITS BE STABILIZED ?

Since the value of money, like that of other things, is subject to the law of supply and demand, the way towards a stabilization of that value apparently lies through a careful observation and study of all the facts and circumstances by which changes in the value of the monetary unit are indicated, with a view to such an adjustment of supply to demand as may keep those changes within the narrowest limits possible. This would, of course, be no easy task, but if the effort were for a time attended by scant success, we should at least have our dollar of definite weight and fineness with which to do business while striving for better results. The data required as a guide to our efforts along this line would be much the same as those which would really be necessary to secure any approach to success along the line proposed by Dr. Fisher; for, as already pointed out, price lists alone, with the index numbers computed therefrom, would fall far short of supplying all the criteria indispensable to the success of an attempt to stabilize the value of the dollar by periodical changes in its weight.

The regulation or control of the issue of paper currency is already pretty generally recognized as a proper

function of governments; and, great as the errors of governments have been in the issue of inconvertible paper money, there are conspicuous instances of prudent and successful management continued through long periods, if not directly by governments themselves, by institutions acting as their agents under strict legislative control; such, for example, as the Bank of England.¹ Should success attend the effort to assure durable peace through a league of nations, the chief cause of excessive governmental issues of paper money would be removed; for that has most frequently been the subordination of sound currency principles to fiscal needs under stress of the exigencies of war. And, even if wars should still occur, a resort by any belligerent to the issue of inconvertible paper might be treated by the League as a justifying cause for intervention against the offending nation, on the ground that the adoption of such a means of meeting war expenses was analogous to a blow beneath the belt in the prize ring.

The regulation of the supply of gold and silver — for there still are countries in which silver is the chief money — might present more formidable difficulties. But granting the existence of criteria whereby to judge approximately whether the supply is excessive or deficient, increased or diminished taxation would afford a means of repressing or stimulating activity in the production of either or both of the precious metals. In the case of mines owned by governments, increased or diminished royalties would serve the same purpose. In cases, should there be such, in which the mining of gold or silver

¹ Through many decades prior to the world war the Bank of England, by raising its rate of discount whenever its gold reserve was threatened with undue depletion, not only kept its notes at par with coin and its bullion equivalent, but in doing so prevented an undue expansion of credit, influenced in an effective degree the course of prices within the kingdom, encouraged the exportation and discouraged the importation of merchandise, and protected the country against a too serious adverse balance in its foreign trade. See an interesting statement on this subject in the First Interim Report of the (British) Committee on Currency and Foreign Exchanges after the war.

is operated by a government, a league of nations might properly suggest diminished or increased activity, as either might be rendered desirable by the circumstances of the time. The supply of the precious metals at just the rate to assure as far as possible their continuous equability of value is essentially a world problem, and the formation of an effective league of nations, if successfully accomplished, should contribute greatly towards as good a solution of it as is at all practicable.¹ This, at least, is a line along which either separate nations or a league of nations can experiment for a century, learning from experience as time goes on and running little, if any, risk of producing in the meanwhile such industrial, commercial and financial chaos as would result from the failure of a plan like Dr. Fisher's. If incidentally to the effort to regulate the supply of gold and silver the earth's latent stores of these metals should be made to contribute generously to the revenues of some of the debt-burdened governments and thereby lighten the burden of general taxation, the result would be welcome in full proportion to its magnitude, whether that should prove small or great.

In connection with what has been said of increasing or diminishing taxation and royalties as a means of retarding or accelerating the production of gold or silver, mention may here be made of the proposal to subsidize gold mining which is now seriously put forward in certain quarters on the ground that the needed quantity of gold cannot otherwise be profitably produced under present industrial conditions. At bottom this seems to be virtually a proposal to lessen the gap between gold and depreciated paper money by making gold more plentiful and, therefore, cheaper. Rather than resort to

¹ Whether a league amounting practically to a world state could yet be safely constituted is, however, much too large a question to be decided hastily.

so expensive a remedy for currency depreciation, the nations in which such depreciation exists should let it remain if necessary for an indefinite period, adopting, however, the promptest and most effective measures to prevent it from proceeding any farther. The world has surely had inflation enough for the present without increasing the evil by adding inflation in gold to inflation in paper.

HOW WOULD DR. FISHER'S PLAN AFFECT THE PUBLIC DEBT ?

In regard to the gold obligations of the government, the effect of the adoption of Dr. Fisher's plan would, of course, depend altogether on the course of prices. Should these continue to rise by a small percentage every month or two, involving the necessity of corresponding increments in the weight of the gold dollar, these gold obligations would, of course, be materially increased. But it is, perhaps, quite as likely that the return of peace may usher in a period of falling prices, in which case successive diminutions in the weight of the dollar would have the opposite effect. In any case, a goods standard would bring to the government any advantages that may accrue from improved industrial methods, processes and appliances, whereby the labor cost of commodities may be reduced.

But the concern of the government will, of course, be with the strict observance of its contracts and the maintenance of its credit, and its policy will presumably be dictated by a desire to do as nearly as possible what exact justice requires, keeping a straight course between its creditors and the taxpayers and showing no unfairness to either at the expense of the other. On the whole, however, the fact that its great loans have been

floated on the basis of a dollar of 25.8 grains of standard gold will have great weight as an argument against making any change whatever in the weight or fineness of that dollar. Moreover, any such change might seriously endanger the success of any loans which may hereafter have to be negotiated.

EDWARD T. PETERS.